GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1623
ANSWERED ON:25.11.2016
Specialised Private Equity
Singh Deo Shri Kalikesh Narayan

Will the Minister of FINANCE be pleased to state:

(a) whether the Securities and Exchange Board of India (SEBI) has introduced Alternate Investment Fund (AIF)/ private equity fund, if so, the details thereof and reasons therefor;
(b) the number of investors along with the profits disbursed to them during the last three years and the current year;
(c) whether the said funds have met the compliances and disclosure norms of regulators and clients as mandated in the contract and regulations, if so, the details thereof; and
(d) whether any adverse reports/ complaints have been received from the investors with regard to the above funds, if so, the details thereof and the action taken thereon in this regard?

Answer

(a) SEBI notified SEBI (Alternative Investment Funds) Regulations, 2012 ("A IF Regulations") on May 21, 2012 providing a framework for registration and regulation of Alternative Investment Funds. These Regulations covers various type of funds including private equity funds. These Regulations were introduced to regulate all funds established in India which are privately pooled investment vehicles raising funds from Indian or foreign investors. .
An AIF can raise money only through private placement from sophisticated investors. Since the minimum investment amount in AIF is INR 1 crore, the investors in AIFs are High Net worth Individuals and institutions, etc. Such AIFs make long term investments mainly in unlisted securities including start-ups or early stage ventures which in turn will have positive spillover effects on economy.
The manager/sponsor of such AIFs are mandatorily required to invest in the fund along with contribution of other investors. Further, the activities of AIF is supervised by Trustee to ensure the compliance of applicable provisions of AIF Regulations.
AIF regulations provide for guidelines for AIFs in term of reporting, disclosures to SEBI and investors, etc. It also provide for private placement memorandum ("PPM") which shall have grievance redressal mechanism, arbitration mechanism, investment strategy, risks involved with the proposed investment strategy, process of fund raising from investors and distribution of funds to investors, etc.

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(b) As on September 30,2016, the total number of investors in SEBI registered AIFs are 13480. Further, the distribution of profit is governed by the provisions of PPM and the infonnation about the same is available only to the investors.
(c) AIFs are mandated to report to SEBI about their activities with respect to commitment raised, funds raised and investment made on periodic basis. Further, manager of AIF is required to submit the compliance test report to the trustee and the Sponsor within 30 days from end of the financial year.
SEBI has initiated "Risk-based Supervision" under which the intennediaries are selected for inspection on the basis of certain criteria like Assets under Management, outstanding complaints, number of investors etc. During inspection, it is checked whether AIFs are in compliance of various provisions of AIF Regulations, whether AIF has maintained the records, has made disclosures to investors and has adequate grievance redressal mechanism, etc.
(d) SEBI has received 27 complaints against 15 SEBI registered AIFs under AIF Regulations, out of which 26 complaints have been resolved.